

Chapter Planning Guide

19

Key to Ability Levels

BL Below level

OL On level

AL Above level


ELL English
Language Learners























Key to Teaching Resources

 Print Material

 CD-ROM

 DVD

 Transparency

Levels				Resources		Chapter Opener	Section 1	Section 2	Section 3	Chapter Assess
BL	OL	AL	ELL							
					FOCUS					
BL	OL	AL	ELL		Daily Focus Skills Transparencies		19–1	19–2	19–3	
					TEACH					
BL	OL		ELL		Reading Essentials and Note-Taking Guide*		p. 174	p. 177	p. 180	
	OL	AL			Citizenship/Decision-Making Activity, URB		p. 3		p. 3	
	OL	AL			Primary Source Reading, URB			p. 15	p. 15	
BL	OL	AL	ELL		Content Vocabulary Activity, URB*	p. 43	p. 43	p. 43	p. 43	
BL	OL	AL	ELL		Academic Vocabulary Activity, URB	p. 45	p. 45	p. 45	p. 45	
	OL				Biography Activity, URB		p. 47		p. 47	
BL	OL	AL	ELL		Writing Skills Activity, URB			p. 49		
	OL	AL			Critical Thinking Skills Activity, URB		p. 51			
BL	OL	AL	ELL		Chart, Graph, and Map Skills Activity, URB		p. 53			
BL	OL	AL	ELL		Differentiated Instruction, URB			p. 55		
BL	OL	AL	ELL		School-to-Home Connection Activity, URB*	p. 57	p. 57	p. 57	p. 57	
BL	OL		ELL		Guided Reading Activities, URB*		p. 61	p. 62	p. 63	
	OL	AL			Supreme Court Cases				p. 7	
BL	OL	AL	ELL		Writer's Guidebook	✓	✓	✓	✓	✓
	OL	AL			Primary Source Document Library CD-ROM	✓	✓	✓	✓	✓
BL	OL	AL	ELL		Vocabulary PuzzleMaker CD-ROM	✓	✓	✓	✓	✓
BL	OL	AL	ELL		Daily Lecture & Discussion Notes (in Pres. Plus)		✓	✓	✓	✓
BL	OL	AL	ELL		StudentWorks™ Plus DVD		✓	✓	✓	✓
BL	OL	AL	ELL		Section Video Program		✓	✓	✓	
BL	OL	AL	ELL		TIME Interpreting Political Cartoons Transp.				Ch. 19	
BL	OL	AL	ELL		Writing Process Transparencies	✓	✓	✓	✓	✓

Note: Please refer to the *Unit Resource Book: The Economy and the Individual* for this chapter's URB materials.

* Also available in Spanish



- Interactive Lesson Planner
- Interactive Teacher Edition
- Fully editable blackline masters
- Section Spotlight Videos Launch
- Differentiated Lesson Plans
- Printable reports of daily assignments
- Standards Tracking System

Levels				Resources		Chapter Opener	Section 1	Section 2	Section 3	Chapter Assess
BL	OL	AL	ELL							
					TEACH <i>(continued)</i>					
Teacher Resources					Building Academic Vocabulary	✓	✓	✓	✓	✓
					Strategies for Success	✓	✓	✓	✓	✓
					Teacher's Guide to Differentiated Instruction	✓	✓	✓	✓	✓
					Graph Tool CD-ROM	✓	✓	✓	✓	✓
					Presentation Plus! DVD	✓	✓	✓	✓	✓
					ASSESS					
BL	OL	AL	ELL		Quizzes and Tests*		p. 225	p. 226	p. 227	p. 228
BL	OL	AL	ELL		Authentic Assessment with Rubrics		p. 23	p. 23	p. 23	p. 23
BL	OL	AL	ELL		Standardized Test Practice		p. 37	p. 37	p. 37	p. 37
BL	OL	AL	ELL		ExamView® Assessment Suite CD-ROM		19–1	19–2	19–3	Ch. 19
BL	OL	AL	ELL		Interactive Tutor Self-Assessment CD-ROM	✓	✓	✓	✓	✓
					CLOSE					
BL			ELL		Reteaching Activity, URB*		p. 59	p. 59	p. 59	
BL	OL		ELL		Reading and Study Skills Foldables™ Activity	p. 86		p. 87	p. 87	
BL	OL	AL	ELL		Graphic Organizer Transparencies & Strategies	✓	✓	✓	✓	✓

Using the Primary Source Library

Searching by Chronological Time Period

Technology Product

Glencoe's *American History Primary Source Document Library* CD-ROMs have more than 200 primary source documents. The documents provide new sources of knowledge that encourage students to think critically about history. The *American History Primary Source Document Library* allows you to

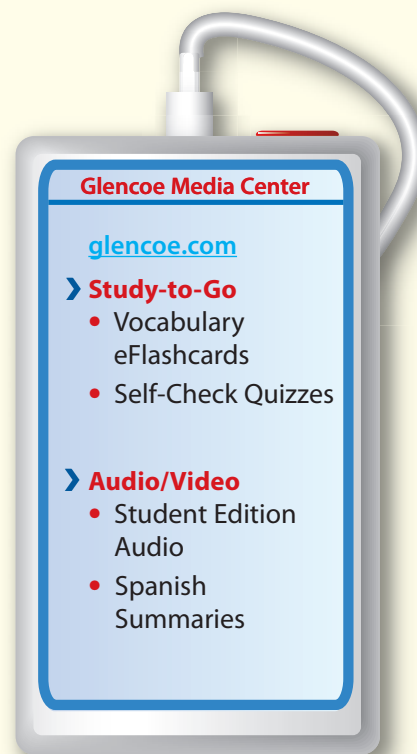
- select chronological periods from Prehistory (to 1492) through Modern America (1976–Present);
- choose from selected documents within each time period to read and/or listen to;
- utilize **Teaching Strategies, Questions/Answers, and Blackline Masters** resources with the primary source document to maximize student learning.

Steps

- Choose the **Chronology** button from the Main Menu of the CD-ROM to browse documents that are arranged by chronological period.
- Select a time period.
- Review options and select a document to read. An **audio clip** icon in the margin indicates documents that include audio.
- Returning to the Main Menu, click on the **User's Guide and Teaching Strategies** button. Select **To the Teacher** and **Teaching Strategies** to access teaching suggestions and procedures for using the various forms of primary source documents, which include narrative accounts, official records, treaties, speeches, and so on.
- Select **Questions/Activities** and **Blackline Masters** to access applicable worksheets and organizers specifically matched for use with each form of primary source document.



	Student	Teacher	Parent
Beyond the Textbook	•	•	•
Chapter Overviews	•	•	•
Concepts in Motion	•		•
ePuzzles and Games	•		•
Glencoe Teaching Today		•	
Literature Connections		•	
Multi-Language Glossaries	•		•
Online Student Edition	•	•	•
Section Videos	•	•	•
Self-Check Quizzes	•		•
Student Web Activities	•		•
Study Central™	•		•
TIME Current Events	•		•
Vocabulary eFlashcards	•		•
Web Activity Lesson Plans		•	



Reading List Generator CD-ROM

GLENCOE BOOKLINK 3

Use this database to search more than 30,000 titles to create a customized reading list for your students.

- Reading lists can be organized by students' reading level, author, genre, theme, or area of interest.
- The database provides Degrees of Reading Power™ (DRP) and Lexile™ readability scores for all selections.
- A brief summary of each selection is included.

Leveled reading suggestions for this chapter:

For students at a Grade 7 reading level:

- *The Emperors of Chocolate: Inside the Secret World of Hershey and Mars*, by Joel Glenn Brenner

For students at a Grade 8 reading level:

- *You Are the Corporate Executive*, by Nathan Aaseng

For students at a Grade 9 reading level:

- *Foreign Oil Dependence*, by James Haley

For students at a Grade 10 reading level:

- *Food, Inc.: Mendel to Monsanto—The Promises and Perils of the Biotech Harvest*, by Peter Pringle

For students at a Grade 11 reading level:

- *Poverty: Opposing Viewpoints*, by Karen Baklin

READING SUPPORT FROM JAMESTOWN EDUCATION

- **Timed Readings Plus in Social Studies** helps students increase their reading rate and fluency while maintaining comprehension. The 400-word passages are similar to those found on state and national assessments.
- **Reading in the Content Area: Social Studies** concentrates on six essential reading skills that help students better comprehend what they read. The book includes 75 high-interest nonfiction passages written at increasing levels of difficulty.
- **Reading Social Studies** includes strategic reading instruction and vocabulary support in Social Studies content for both ELLs and native speakers of English.
- **Content Vocabulary Workout** (Grades 6–8) accelerates reading comprehension through focused vocabulary development. Social Studies content vocabulary comes from the glossaries of Glencoe's Middle School Social Studies texts. www.jamestowneducation.com

KEY Teacher Wraparound

Use this key to help you identify the different types of prompts found in the Teacher Wraparound Edition.

R **Reading Strategies** activities help you teach reading skills and vocabulary.

C **Critical Thinking** strategies help students apply and extend what they have learned.

D **Differentiated Instruction** activities provide instruction for students learning to speak English, along with suggestions for teaching various types of learners.

S **Skill Practice** strategies help students practice historical analysis and geography skills.

W **Writing Support** activities provide writing opportunities to help students comprehend the text.

Teaching strategies and activities have been coded for ability level appropriateness.

AL Activities for students working above grade level

OL Activities for students working on grade level

BL Activities for students working below grade level

ELL Activities for English Language Learners

Focus

Why It Matters

Ask: How does America's economic system affect you? (Answers may include the idea that students are consumers in the economic system; resources, prices, and availability of products and services impact their lives directly.)

More About the Photo

Visual Literacy This photograph shows a farmer checking a crop. **Ask:** How is this farmer both a producer of goods and a consumer of resources? (The farmer grows and sells a needed food; he also requires machinery, labor, and natural resources to grow his crops.) Preview with students the interconnectedness of economic resources, products, and activities as they discuss the photograph.

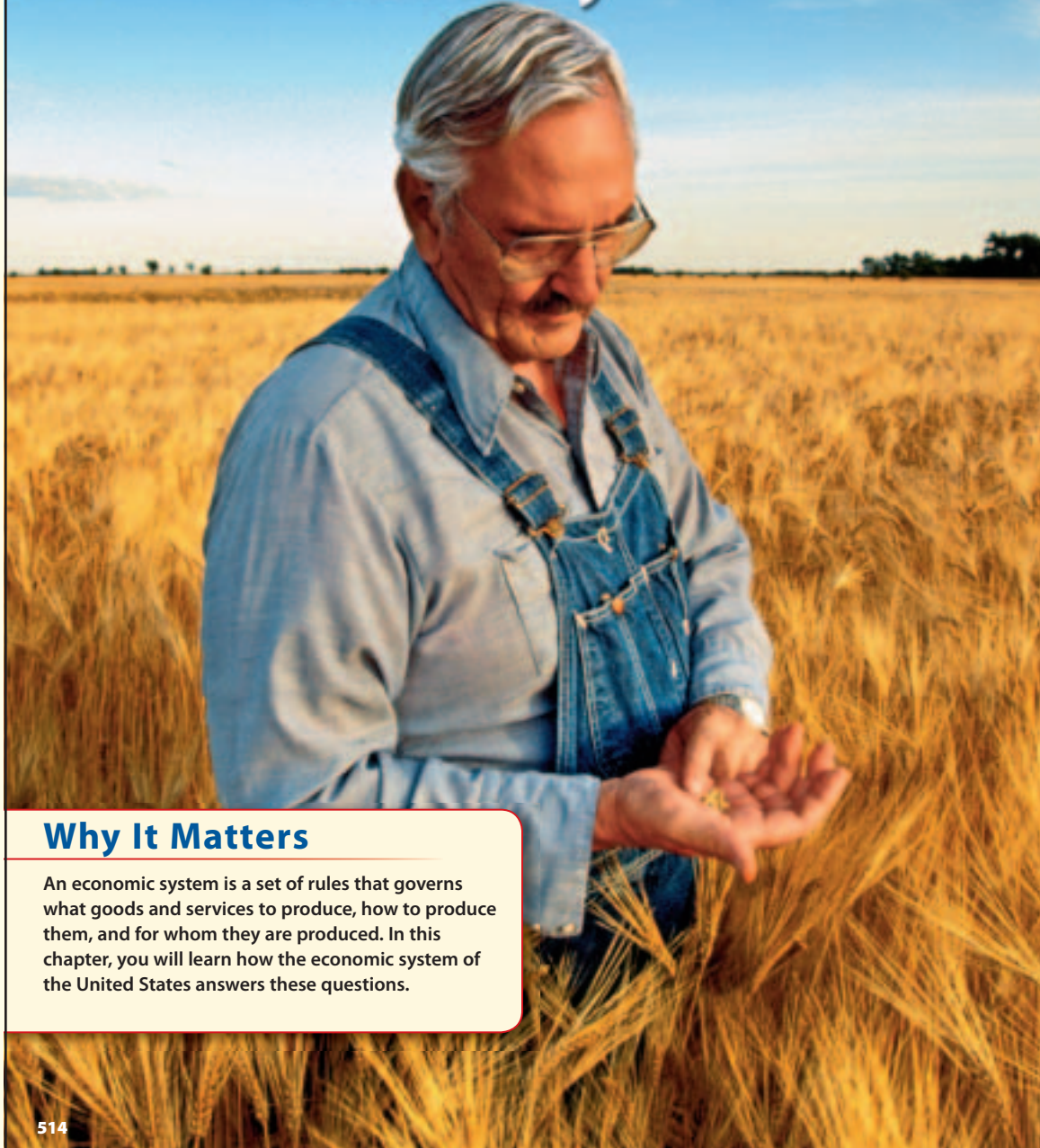
Teach

BIG Ideas As you begin teaching each section, use these questions and activities to help students focus on the Big Ideas.

Section 1

Economic Resources **Ask:** What is a resource? What are the four factors of production? (A resource is anything needed to produce a product or to make a service available; the four factors of production are natural resources, labor, capi-

The American Economy



Why It Matters

An economic system is a set of rules that governs what goods and services to produce, how to produce them, and for whom they are produced. In this chapter, you will learn how the economic system of the United States answers these questions.

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tal, and entrepreneurs.) Point out that Section 1 discusses the four key factors of production in any economic system. **OL**

Section 2

Economic Activity **Ask:** What are some of the consequences of economic growth? Of economic decline? (Economic growth: more jobs, more income for citizens, and more products and services to buy; decline: fewer jobs, less income, and less access to products and services) Tell students that Section 2 explains how the parts of an economic system must work together for a nation to thrive. **AL**

BIG Ideas

Section 1: Economic Resources

An economic system is the way a society organizes the production and consumption of goods and services. Four different key factors of production are necessary to produce goods and services.

Section 2: Economic Activity

The basis of the market economy is voluntary exchange. In the American economy, the exchange usually involves money in return for a good or service. Economic growth occurs when a nation's total output of goods and services, flowing in a circular motion among several sectors, increases.

Section 3: Capitalism and Free Enterprise

Free enterprise is the freedom of individuals and businesses to operate and compete with a minimum of government interference or regulation. The American economic system is the most successful in the history of the world.

Grain farmer checks barley crop in East Grand Forks, Minnesota

FOLDABLES™ Study Organizer

Categorizing Information Study Foldable Make the following Foldable to help you categorize information about the different sectors of economic activity.

Step 1 Fold a sheet of paper from side to side, leaving a 2-inch tab uncovered along the side.

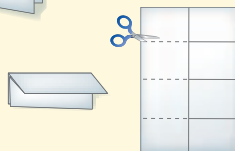


Step 2 Turn the paper and fold it in half once and once again, creating fourths.



Reading and Writing
As you read the chapter about economic activity, categorize information about each part of the economy under each flap.

Step 3 Unfold and cut along the three fold lines through the top side of the paper.



Step 4 Label the flaps as shown.



FOLDABLES™ Study Organizer

Dinah Zike's Foldables

Purpose This Foldable helps students learn and categorize information about the different sectors of economic activity. The completed Foldable will allow students to review the sectors and understand how the sectors interrelate in economic activity. **OL**

More Foldables activities for this chapter can be found in the *Dinah Zike's Reading and Study Skills Foldables* ancillary.

Civics ONLINE

Introduce students to chapter content and key terms by having them access the **Chapter Overview** at glencoe.com.

Section 3

Capitalism and Free Enterprise

Ask: Why might people decide to start a business? (Answers include that they might want to be their own bosses, to make unique or superior products, and to make money.)

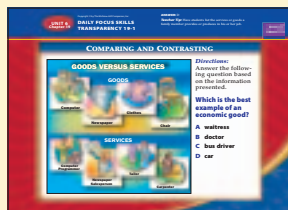
Tell students that Section 3 explains how America's economic system promotes and encourages business. **ELL BL OL**

Focus



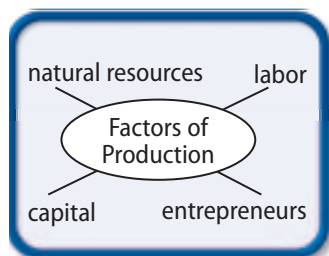
Bellringer

Daily Focus Transparency 19-1



Guide to Reading

Answers to Graphic:



Section Spotlight Video

To learn more about economic resources, have students watch the Section Spotlight Video for this section.

Resource Manager

Guide to Reading

Big Idea

An economic system is the way a society organizes the production and consumption of goods and services.

Content Vocabulary

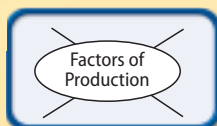
- goods (p. 517)
- services (p. 517)
- factors of production (p. 517)
- natural resources (p. 517)
- labor (p. 517)
- capital (p. 517)
- entrepreneur (p. 517)
- Gross Domestic Product (GDP) (p. 518)
- standard of living (p. 518)

Academic Vocabulary

- output (p. 517)
- innovate (p. 517)

Reading Strategy

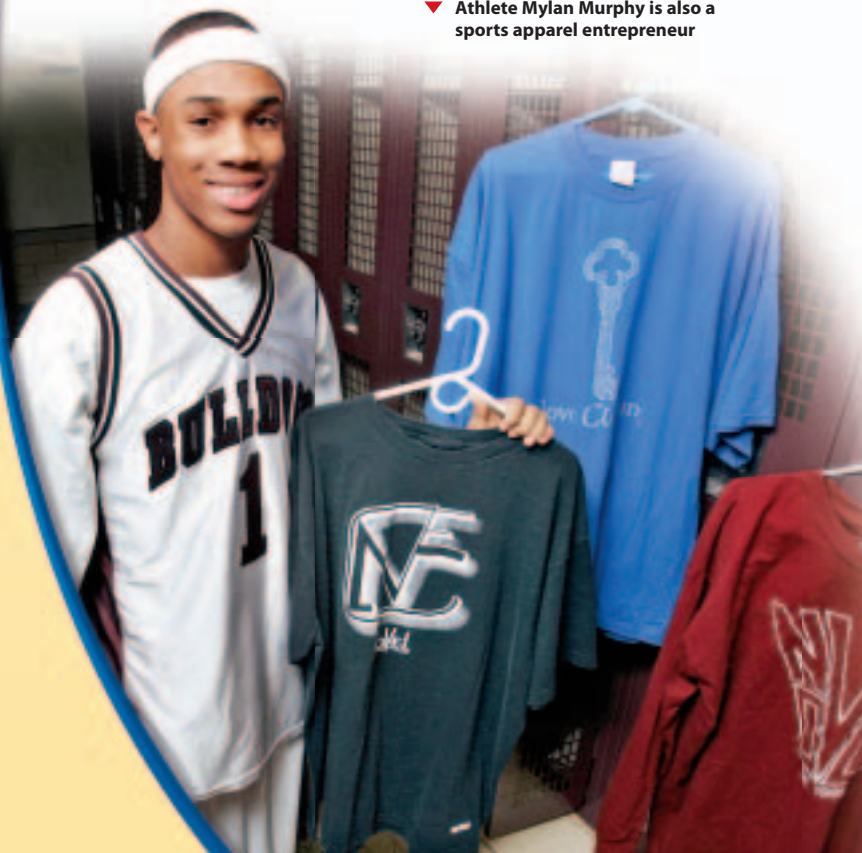
Categorizing As you read the section, complete a diagram like the one below by identifying the four factors of production.



Economic Resources

Real World Economics Do you know what an entrepreneur is? Mylan Murphy knows, because he became one when he started his own line of sports-themed clothing while still in the eighth grade. Mylan turned his love of basketball and his talent as an artist into a real business. Although he is too young to sign a contract, Mylan has enlisted his older brother, Mark, to be his business partner. The American economy depends on entrepreneurs, like the Murphys, as one of the four essential factors of production that keeps the economy running.

▼ Athlete Mylan Murphy is also a sports apparel entrepreneur



R Reading Strategies	C Critical Thinking	D Differentiated Instruction	W Writing Support	S Skill Practice
Teacher Edition <ul style="list-style-type: none"> • Academic Vocab., p. 517 Additional Resources <ul style="list-style-type: none"> • Cont. Vocab., URB p. 43 • Ac. Vocab., URB p. 45 • Guid. Read., URB p. 61 • RENTG, p. 174 	Teacher Edition <ul style="list-style-type: none"> • Pred. Consequences, p. 518 Additional Resources <ul style="list-style-type: none"> • Crit. Thinking, URB p. 51 • Quizzes and Tests, p. 225 	Teacher Edition <ul style="list-style-type: none"> • Logical/Math., p. 517 Additional Resources <ul style="list-style-type: none"> • Reteach. Act., URB p. 59 	Teacher Edition <ul style="list-style-type: none"> • Persuasive Writing, p. 519 Additional Resources <ul style="list-style-type: none"> • Cit./Decision-Making, URB p. 3 	Teacher Edition <ul style="list-style-type: none"> • Analyzing Charts, p. 518 Additional Resources <ul style="list-style-type: none"> • Chart, Map, and Graph Skills, URB p. 53 • Daily Focus Trans., 19-1

Goods and Services

Main Idea Four factors of production are necessary to produce goods and services.

Economics & You What goes into making your CD player or your backpack? Read to find out what four production elements are necessary.

In 2000, the United States's annual **output**, or amount produced, totaled nearly 25 percent of the world's total output. Some of this production is in the form of **goods**, such as books and automobiles. More of this production is in the form of **services**, or work performed for someone else. Services include haircuts, home repairs, and entertainment.

Factors of Production

There are four **factors of production**, or resources necessary to produce goods and services. These are natural resources, labor, capital, and entrepreneurs.

Natural Resources The first factor, **natural resources**, refers to all the "gifts of nature" that make production possible. Natural resources include actual surface land and water as well as fish, animals, forests, and mineral deposits.

Labor The nation's workforce, **labor**, is its human resources. Labor includes anyone who works to produce goods and services.

Capital Another factor of production is **capital**, which are the manufactured goods used to make other goods and services. The machines, buildings, and tools used to assemble automobiles, for example, are **capital goods**.

Capital goods are unique in that they are the **result** of production. For example, we cannot find a hammer in the forest the way we can find a tree—someone actually has to make a hammer. Capital goods differ from



Entrepreneurs A Miami, Florida, teenage entrepreneur owns and operates a hair care business. **Explaining Why do entrepreneurs start new businesses?**

consumer goods. Consumer goods directly satisfy wants—things such as clothes, clocks, foods, and radios. Capital goods satisfy wants indirectly by aiding production of consumer goods.

Entrepreneurs The **entrepreneur** is the fourth factor of production. This is an individual who starts a new business, introduces new products, and improves processes. Being an entrepreneur involves being **innovative**, or original, and being willing to take risks in order to make profits.

Reading Check Classifying Under what factor of production would you classify oil deposits? A diamond-cutting machine?

Teach

D Differentiated Instruction

Logical/Mathematical Ask: What is a "factor" in a math equation? How can this information help you understand what an economic factor is? (A mathematical factor is a number that is combined with other numbers to arrive at the product, or answer. Changing the factor changes the product. In the same way, economic factors help generate a product. That product changes as the factors change.) **AL**

R Reading Strategy

Academic Vocabulary Ask: What does the root of "innovative" mean? (The root is "nov-," meaning "new.") Explain that to be innovative is to do something original. Students who speak Spanish may be able to supply the cognate "innovar." **ELL OL**

Caption Answer:

Possible answer: entrepreneurs enjoy the challenge of running their own businesses.

Reading Check Answer: natural resources; capital good

Differentiated Instruction

Biography Activity 19

Oprah Winfrey (ms-)

After Winfrey's mother died, she had a huge effect on Oprah Winfrey's life. Winfrey was personally inspired by the story. But the fact that she had to beg for food off her mother's plate inspired her to do more for herself. Inspired by the story of a woman who had to beg for food, Winfrey decided to become a woman who could take care of herself. Winfrey is one of the richest and most powerful women in the United States. Her annual income of about \$275 million, the chair of the Entertainment Group, and her own company, Harpo Productions, are testament to her success.

A Tough Start

Winfrey's beginnings were humble. She was born in Kosciusko, Mississippi, and grew up in poverty. After a difficult childhood, the teenage Winfrey went to live with her father, where instability on discipline and education even turned her life around.

At age 17, Winfrey became a part-time model in Nashville, Tennessee. Two years later, while attending Tennessee State University, she was hired as a television reporter and anchor. Winfrey went on to work in Baltimore as a cultural critic, winning three national awards for her reporting.

In 1986, Winfrey took over the ailing *Chicago Tribune* and turned it into a success. In 1990, the *Chicago Tribune* became nationally syndicated. Within months, it was the third highest rated show in circulation. It became the most popular talk show, averaging between 8 and 10 million people daily to more than 100 cities and 12 foreign countries.

Being Inspired

During her struggle to live the *Chicago Tribune*, Winfrey's mother passed away. She left behind a small inheritance and a small business. Winfrey's mother had been a part-time model in Nashville, Tennessee. Two years later, while attending Tennessee State University, she was hired as a television reporter and anchor. Winfrey went on to work in Baltimore as a cultural critic, winning three national awards for her reporting.

In 1986, Winfrey took over the ailing *Chicago Tribune* and turned it into a success. In 1990, the *Chicago Tribune* became nationally syndicated. Within months, it was the third highest rated show in circulation. It became the most popular talk show, averaging between 8 and 10 million people daily to more than 100 cities and 12 foreign countries.

Biography Activity 19, URB pp. 47–48

Oprah Winfrey

- Objective:** To analyze Winfrey's entrepreneurial decisions
- Focus:** Have students relate their prior knowledge about Winfrey.
- Teach:** Ask students to read parts of the biography aloud.
- Assess:** Have students name the important events in Winfrey's life to contribute to a class list.
- Close:** Have two students role-play a TV interview with Winfrey.

Differentiated Instruction Strategies

- BL** Who started Winfrey on her path to success? What did Winfrey focus on to turn her life around as a teen?
- AL** Research Winfrey's support of a school for African girls, and report your findings to the class.
- ELL** What might Winfrey advise young, ambitious students to do? Name two things.

Teach

C Critical Thinking

Predicting Consequences Ask: What would happen to the calculation of GDP if the sale of used products were included? (GDP would become less accurate, because counting used goods would artificially inflate the value of products made that year in the nation.) **AL**

S Skill Practice

Analyzing Charts Ask: What kinds of products are represented in the chart? Why aren't the parts needed to make bicycles, computers, and watches included? (Only final goods are represented. No services or intermediate goods are represented. Intermediate goods are not included in the calculation of GDP.) **OL**

Analyzing Charts

Answers:

1. GDP is calculated by adding up the value of all final goods and services produced in a country in a single year.
2. A ninth of GDP comes from the production of bicycles.

Hands-On Chapter Project Step 1

Making a Business Plan

Step 1: Deciding on a Product or Service The class will research possible products or services to offer for sale.

Directions Tell students that, later in the chapter, they will write a business plan for their own business. As entrepreneurs, they

Gross Domestic Product

Main Idea GDP is the total value of all the final goods and services produced in a country in one year.

Economics & You Have you ever heard the United States described as a rich country? Read to find out how a nation's wealth is measured.

People often measure their economic well-being by the amount of their incomes and their ability to provide for themselves and their families. The success of the overall economy is measured in a similar way. One measure of the economy's size is **Gross Domestic Product (GDP)**. This is the total value, in dollars, of all the final goods and services produced in a country during a single year. A final good is a good, such as a loaf of bread, that is sold to its user. The intermediate goods that go into making a loaf of bread—flour or wheat, sugar—are not counted in GDP.




In addition, the sale of used goods is not counted as part of GDP. When ownership of products already produced is transferred from one person or group to another, no new production is generated. Although the sale of a used car, chair, or CD player may give someone cash, only the original sale is included in GDP.

Measuring GDP

Remember that GDP is a measure based on money. If we are to compare the number of goods and services produced, it is helpful to get a meaningful idea of their relative worth. Look at the diagram at the top of the page for an example. Suppose there is a tiny economy in which only three goods are produced, in these quantities: 10 bicycles, 10 computers, and 10 watches. Furthermore, suppose the price of a bicycle is \$200, the price of a computer is \$1,500, and the price of a watch is \$100. To find

Measuring GDP

GDP is the total dollar value of all final goods and services produced in a nation in a single year.

10 bicycles	10 computers	10 watches
		
at \$200 each = \$2,000	at \$1,500 each = \$15,000	at \$100 each = \$1,000

Gross Domestic Product = \$18,000

Analyzing Charts

1. **Explaining** How is GDP calculated?
2. **Calculating** In this example, what percentage of GDP comes from the production of bicycles?

GDP of this economy, we multiply the price of each good by the quantity of that good produced and then add the amounts.

How Is GDP Used? Economists study GDP figures regularly to analyze how the economy is doing. GDP is an important indicator of **standard of living**, the quality of life based on the possession of necessities and luxuries that make life easier.

Weaknesses of GDP GDP is a reasonably accurate and useful measure of economic performance. It is not a measure of society's overall well-being, though. Many things might make a country better off without raising GDP, such as reductions in crime or in drug and alcohol abuse.

Keep in mind that the statistics used in computing GDP are accurate only to a point. Statistics about easily measurable things,

will determine a need in the community that they are able to meet. In the next step, they will identify resources for meeting the need.

Interpersonal Have students work in groups to list products or services they could sell to their community. For example, one morning a week, students could run a

small school-supply shop, set up a tutoring group, or work as a yard-cleaning team. Have students identify each idea as a product, a service, or a combination of both. Finally, ask students to share their ideas, and guide a discussion as the class chooses the need they feel most ready to meet. **OL**

(Project continued in Section 2)

such as government purchases, are reliable. Some workers, however, are given food, fuel, or housing as part of their wages. To minimize error in calculating GDP, economists must take into account that GDP can include only an estimate of the value of such goods and services.

Quantity vs. Quality Remember that GDP measures *quantity*. It does not reflect improvements in the *quality* of products. There is a great difference between a \$1,000 computer purchased today and a computer costing the same amount just a few years ago. Because of this, economists must take great care to account for quality improvement. Greater production of goods and services is only one of the many factors that contribute to raising the standard of living of any country.

Net Domestic Product

The loss of value because of wear and tear to durable goods, such as automobiles and refrigerators, is called depreciation. The same concept applies to capital goods—machinery and equipment. GDP does not take into account that some production merely keeps machines and equipment in working order and replaces them when they wear out.

Net domestic product (NDP)—another way of measuring the economy—accounts for the fact that some production is only due to depreciation. NDP takes GDP and subtracts the total loss in value of capital goods caused by depreciation.

Reading Check **Contrasting** What is the difference between final goods and intermediate goods?

Teach

Writing Support

Persuasive Writing Ask students to state the meaning of “depreciation.” Then have them write a paragraph about how this term relates to measuring the economy. **OL**

Reading Check **Answer:** Final goods are what consumers purchase to use. Intermediate goods are the parts and supplies needed to produce final goods.

Assess



Study Central™ provides summaries, interactive games, and online graphic organizers to help students review content.

Close

Making Connections Have students discuss how a year in which many entrepreneurs begin new businesses affects GDP. **OL**

Section Review

Vocabulary

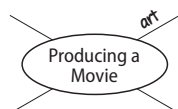
- Write** a paragraph in which you use these key terms: *goods, services, factors of production, natural resources, labor, capital, entrepreneur, Gross Domestic Product (GDP), standard of living.*

Main Ideas

- Identify** each of the following as one of the four factors of production:
 - carpenter
 - hammer
 - forest
- Describing** What is gross domestic product and how is it measured?

Critical Thinking

- Comparing** How does the factor of production of entrepreneurship differ from the factor of labor?
- BIG Ideas** Create a diagram like the one below and label the center oval as shown. Fill in an example of each factor of production that went into developing this service.



- Applying** Think like an entrepreneur. Identify a new product or service that you believe many people will want to buy. Outline the details of the new product or service. Then explain why you think people will want to buy it.

CITIZENSHIP Activity

- Persuasive Writing** Which of the four factors of production do you think has had the greatest impact on the development and enduring strength of the U.S. economy? Why? Write a position paper stating and supporting your reasons.



Study Central™ To review this section, go to glencoe.com.

Answers

- Paragraphs should use vocabulary words according to their definitions in the section and in the Glossary.
- Carpenter: labor; hammer: capital good; forest: natural resource
- Gross Domestic Product is the total value in dollars of all the final goods and services produced in a country in a single year. It is measured by multiplying the price of each good by the number of those produced and then adding together these results.
- Entrepreneurship creates new jobs and new products. Labor produces goods and services.
- Answers may include the labor of actors, set designers, writers; the capital goods of machines and delivery methods (DVDs, reels); the entrepreneurship of the director and producer; and the natural resources of locales.
- Answers will vary, but should identify and explain the product or service.
- Papers should identify a single factor of production and provide reasons for its importance to a strong U.S. economy.

Focus



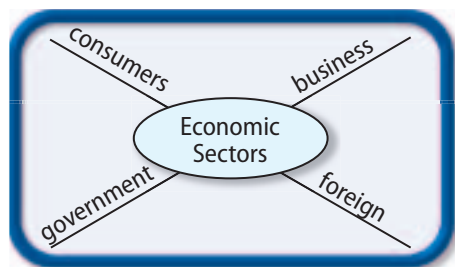
Bellringer

Daily Focus Transparency 19-2



Guide to Reading

Answers to Graphic:



Section Spotlight Video

To learn more about economic activity, have students watch the Section Spotlight Video for this section.

Resource Manager

Guide to Reading

Big Idea

The basis of the market economy is voluntary exchange. In the American economy, the exchange usually involves money in return for a good or service.

Content Vocabulary

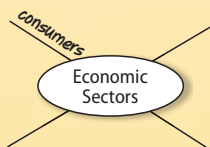
- market (p. 521)
- factor market (p. 521)
- product market (p. 522)
- productivity (p. 524)
- specialization (p. 524)
- division of labor (p. 524)
- economic interdependence (p. 525)

Academic Vocabulary

- sector (p. 521)
- consume (p. 522)
- input (p. 523)

Reading Strategy

Categorizing As you read the section, complete a diagram like the one below by identifying the four sectors of the economy.



Economic Activity

Real World Economics Would you know to shop on the Internet for shoes if you had really large feet? When Neil Moncrief started www.2bigfeet.com, specializing in large-sized shoes, the search engine Google listed his site first on searches for “big feet.” Soon Moncrief was getting 95 percent of his business from the Internet. Later Google changed the way its search engines worked and sales decreased dramatically. Moncrief’s experience is an example of how business success is based on many factors, including economic interdependence.

▼ Neil Moncrief stands outside his Albany, Georgia, store



R Reading Strategies	C Critical Thinking	D Differentiated Instruction	W Writing Support	S Skill Practice
Teacher Edition <ul style="list-style-type: none"> • Act. Prior Know., pp. 521, 523 • Making Connections, p. 525 Additional Resources <ul style="list-style-type: none"> • Cont. Vocab., URB p. 43 • Ac. Vocab., URB p. 45 • Guid. Read., URB p. 62 • RENTG, p. 177 	Teacher Edition <ul style="list-style-type: none"> • Pred. Consequences, p. 523 • Making Inferences, p. 524 Additional Resources <ul style="list-style-type: none"> • Quizzes and Tests, p. 226 	Teacher Edition <ul style="list-style-type: none"> • EL, p. 521 • Visual/Spatial, p. 522 Additional Resources <ul style="list-style-type: none"> • Diff. Instr., URB p. 55 • School-to-Home Connect., URB p. 57 • Reteach. Act., URB p. 59 	Teacher Edition <ul style="list-style-type: none"> • Expository Writing, p. 524 Additional Resources <ul style="list-style-type: none"> • Writing Skills Act., URB p. 49 	Teacher Edition <ul style="list-style-type: none"> • Analyzing Diagrams, p. 522 Additional Resources <ul style="list-style-type: none"> • Daily Focus Trans., 19-2

Economic Sectors and Circular Flow

Main Idea Resources, goods and services, and money flow in a circular motion among several sectors.

Economics & You The term *market* may mean to you a place to buy fresh fruits and vegetables, but it has a special meaning to economists. Read to find out more.

In the study of economics, a **market** is not necessarily a place. Rather, it is the free and willing exchange of goods and services between buyers and sellers. In other words, markets are places where people come together. Markets may be local, regional, national, or global. In this section, you will learn about the major groups of decision makers and the major markets in the market system. For example, a market exchange may take place in a worldwide market for a good such as crude oil. It may also take

place in a neighborhood market for services such as paper delivery, snow shoveling, and babysitting.

Circular Flow of Economic Activity

In a market system, the flow of resources, goods and services, and money is actually circular, as shown in the diagram on page 522. Economists use this model to show how economic decision making in the market system works. The consumer **sector**, or part, makes up one group of economic decision makers, but there are others—the business, government, and foreign sectors.

The Consumer Sector

What role do consumers play in the circular flow? Consumers earn their income in **factor markets**—the markets where productive resources are bought and sold. Here, workers earn wages, salaries, and tips in exchange for their labor. People who own land may loan it in return for a type of income called rent. Finally, people who own capital exchange it for interest.

Economic Activity Within the circular flow of economic activity, consumers buy goods from businesses, and sell resources to businesses. **Explaining** Is the house builder a member of the consumer sector, the business sector, or both?



521

Teach

Reading Strategy

Activating Prior Knowledge Say: Give a specific example of each kind of market. (Answers may include local farmers markets, regional restaurant chains, national retail giants, and Internet sites that link consumers around the globe.) **OL**

Differentiated Instruction

English Learners Explain that interest is money paid to investors for the use of their capital resources. Give an example: a young entrepreneur has a great idea for a new business but no start-up capital (money) with which to work. A wealthy investor gives money to a young entrepreneur to start a business. Ten years later, the entrepreneur pays the money back to the investor along with 4 percent interest—money the entrepreneur pays for the use of the wealthy investor's capital. **ELL**

Caption Answer:

The house builder is a member of the consumer sector because he earns wages in exchange for his labor. He is a member of the business sector because he receives money for the houses he builds.

Differentiated Instruction

Leveled Activities

BL Guided Reading Activity 19-2, URB p. 62

OL Differentiated Instruction Activity 19, URB pp. 55–56

ELL Content Vocabulary Activity 19, URB pp. 43–44

GUIDED READING ACTIVITY 19-2

Economic Activity

Where possible, show the various goods, services, and money flow in a circular motion among several sectors.

Directions: Answer the questions below in the space provided. Use the information in your textbook to answer the questions.

- Defining** What does the term "sector" mean in an economy?
- Listing** What are the four economic sectors?
- Classifying** What is the difference between factor markets and product markets?
- Describing** How does the government sector take part in the circular flow?
- Specifying** When does productivity go up?
- Summarizing** How are specialization and division of labor related?
- Explaining** Why do events in other nations affect the U.S. economy?

DIFFERENTIATED INSTRUCTION ACTIVITY 19

The United States and International Trade

American exports have grown to a wide variety of goods in part because of international trade. In 2005, the United States exported more than \$2.2 trillion in goods and services to other countries. Imports from other countries totaled more than \$2.2 trillion. The United States exports more than \$2.2 trillion in goods and services to other countries. The distribution and value of these exports and imports.

Item	Amount Exported to Other Countries (\$ Billions)	Amount Imported from Other Countries (\$ Billions)
Automobiles	12,000	15,000
Chemical products	1,000	1,000
Computers	1,000	1,000
Grains	1,000	1,000
Crude oil	1,000	1,000
Automobiles	1,000	1,000
Chemical products	1,000	1,000
Computers	1,000	1,000
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Teach

D Differentiated Instruction

Visual/Spatial Ask: Which visual element of the diagram indicates the circular nature of the market? (The arrows that together form an oval around and among the market sectors indicate the circular nature of the market.) OL

S Skill Practice

Analyzing Diagrams Ask students to explain the meaning of the two small inset charts, Product Markets and Factor Markets. (The vertical axis is labeled P for Price, and the horizontal axis is labeled Q for Quantity. “Supply” is the available amount of a product, a natural resource, or capital and labor. As demand rises, quantity should rise to match it. Otherwise, its price will rise.) OL

Analyzing Diagrams

Answers:

1. It represents all the countries in the world other than the United States.
2. Factor markets are where productive resources are bought and sold. Product markets are where producers offer goods and services for sale to consumers.

Differentiated Instruction

The Business Sector

After individuals receive their incomes, they spend them in **product markets**—markets where producers offer goods and services for sale. The business sector receives payments in the product markets where they sell goods and services to consumers. Businesses use these payments to pay for the natural resources, labor, and capital they use. These resources are then used to manufacture additional products that are sold in the product markets.

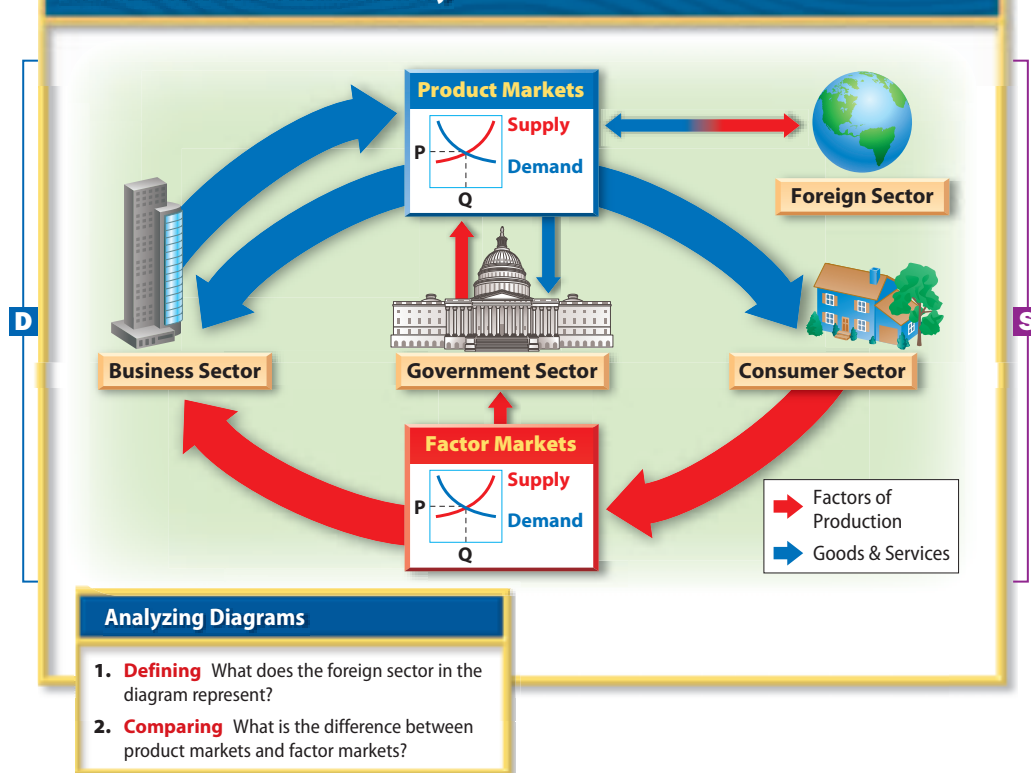
As the diagram shows, the business sector purchases some of the output it produces—primarily capital goods—so that it can

continue to produce more goods and services. These purchases include things such as tools, factories, and other goods needed for current production. In actual practice, the business sector is much smaller than the consumer sector. While the consumer sector purchases about two-thirds of all output, the business sector usually **consumes**, or uses, only about 15 to 20 percent of our GDP.

The Government Sector

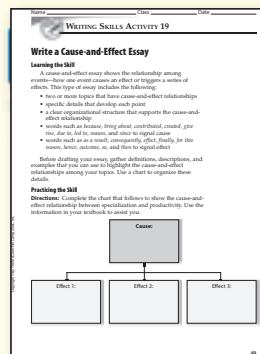
The government sector is another sector that plays a part in economic decision making. This sector is made up of all three levels of government—federal, state, and

Circular Flow of Economic Activity



Analyzing Diagrams

1. **Defining** What does the foreign sector in the diagram represent?
2. **Comparing** What is the difference between product markets and factor markets?



- Objective:** To use cause-and-effect organization in an essay
- Focus:** Have students complete the chart on page 49.
- Teach:** Review Section 2's discussion of specialization and division of labor.
- Assess:** Make sure students understand the relationship between specialization and production.
- Close:** Have students compare their charts to correct problems in their summaries.

Differentiated Instruction Strategies

- BL** Draw a chart that shows several causes leading to a single effect.
- AL** Discuss why the quality of some products is negatively affected by specialization.
- ELL** How might one cause lead to a chain of causes and effects? Illustrate an example of this.

local. Because the government sector also produces goods and services, it purchases productive **inputs**, or resources, in the factor markets. Since the time of World War II, the government has become a bigger part of the economy.

Revenues and Expenditures The government receives revenue from the services it sells. For example, public universities charge tuition, public hospitals charge fees, and city buses charge fares. The total cost of government services is seldom covered by fees alone, however. The government sector receives most of its revenues from taxes on businesses and individuals.

Government also uses its revenue to purchase final goods and services in the product markets. School systems, for example, purchase books, buses, and computers while the military purchases trucks, fighter planes, and ships. Historically, the government is the second-largest sector in our economy, purchasing approximately 20 percent of our GDP.

The Foreign Sector

The foreign sector in the diagram represents all the countries in the world. Notice on the diagram on page 522 that this sector is the only one with a line that has an arrow at both ends. The reason is that we both sell products to and buy products from other countries.

The value of the goods and services the United States purchases from other countries and the value of the goods and services it sells to other countries tend to offset one another. As a result, the foreign sector generally accounts for less than 4 percent of our nation's GDP.

Reading Check Describing In the circular flow of activity, in what economic activities is the consumer involved?



Student Web Activity Visit glencoe.com and complete the Chapter 19 Web Activity.

TIME Teens in Action

Erika Fields

Erika Fields, 17, of Cleveland, Ohio, wondered why public schools in some urban areas get less state money than some schools in suburban areas. To help bring about change, and to make school funding more fair, Fields combined her voice with others in "Our Voice."

QUESTION: What is Our Voice?

ANSWER: Our Voice is a group of students who study school funding issues. We try to make a difference by testifying before education committees, holding rallies, and speaking out for fairness in how tax money is distributed to schools.

Q: Tell us about your newspaper.

A: Our Voices: Students Speak Out is a student-produced, statewide paper that talks about funding for public schools in Ohio.

Q: Do only teens from your school work on the paper?

A: No. Students from different schools contribute articles and illustrations. We open it up to everyone who has something to say about public schools—negative or positive.

Q: What is the paper's goal?

A: We are working to get our state lawmakers to produce an equal school funding system—to make sure that each and every student has an equal education.

ACTION FACT:

Fields enjoys singing—"Our Voice" teens speak out and is planning to become a doctor.



Making a Difference

CITIZENSHIP

What is the purpose and goal of Our Voice, the group?

Chapter 19 523

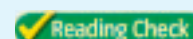
C Critical Thinking

Predicting Consequences Ask: What impact might a sudden slowdown in government purchasing have on the nation's economy? (The economy would slow down, because the government is the second-largest market sector.) **AL**

R Reading Strategy

Activating Prior Knowledge Ask: With which countries does the United States mainly trade? (Answers may include nations such as China, Mexico, Canada.)

OL ELL



Answer: Consumers earn income in the factor markets and spend their income in the product markets.



Objectives and answers to the **Student Web Activity** can be found at glencoe.com under the Web Activity Lesson Plan for this chapter.

TIME Teens in Action

Answer:

to get state lawmakers to produce an equal school funding system

Hands-On Chapter Project Step 2

Making a Business Plan

Step 2: Assessing Needed Resources

Groups of students will consider the resource factors needed for their new business to succeed.

Directions Remind students of the business idea the class has decided to pursue. Review the four factors of production in

Section 1, and tell students that they are the entrepreneurs. Then organize them into three groups.

Analyzing Assign each group one of the remaining three factors of production: natural resources, labor, and capital/capital goods. Tell each group to think about the class's business idea and to determine, as accurately as possible, what is needed from

each factor of production. Will start-up funds be needed? How many hours of labor will be involved? What machines or supplies will be required? Tell students that they will use their answers to these and related questions as they write their business plan in Step 3. **OL AL**

(Project continued in Section 3)

W Writing Support

Expository Writing Have students write a paragraph responding to the following questions. **What are some scarce natural resources, and why is efficient use of these resources especially important?**

(Paragraphs should list scarce resources—such as timber, water, fossil fuels, and minerals—and explain that efficient use of these resources is important because they are not easily renewable. OL)

C Critical Thinking

Making Inferences Ask: **Why does specialization improve productivity? Give an example.** *(Specialists can work quickly and effectively at the task that they have mastered. For example, not all surgeons have studied all parts of the body. Neurologists specialize in brain surgery, while orthopedists specialize in working with joints. Each specialist would have to spend large amounts of time to master another field.) BL)*

Caption Answer:

The engineer did not make the parts that go into the fan or put them together, nor does he run the fan. His job is to ensure that the fan is correctly built and installed and that it is functioning as it should.

Additional Support

Teacher Tip

If necessary, use a reputable source, such as *Encyclopedia Britannica*, to review the trade terms before completing this activity with students.

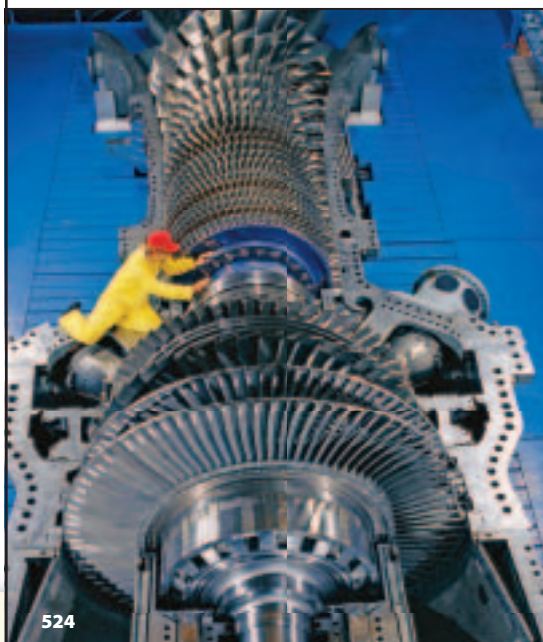
Promoting Economic Growth

Main Idea Economic growth occurs when a nation's total output of goods and services from all economic areas increases.

Economics & You You have probably told yourself at some time or another that you need to be more productive. Find out what productivity means in our nation's economy.

Economic growth occurs when a nation's total output of goods and services increases over time. This increase means that the circular flow becomes larger. Economic growth is important because it raises people's standard of living. This growth is a major goal of our economy and is a way officials can tell if our economy is healthy.

Division of Labor A quality control engineer at a South Carolina plant inspects the fan assembly of a gas-fired turbine. **Explaining In what way is the engineer's job an example of the division of labor?**



Productivity

W When scarce resources are used efficiently, everyone benefits. Efficient use of resources is described by the term **productivity**. This is a measure of the amount of output (goods and services) produced by a given level of inputs (land, labor, capital, and entrepreneurship) in a specific period of time. Productivity goes up whenever more output can be produced with the same amount of input in the same amount of time, or when the same output can be produced with less input.

Productivity is often discussed in terms of labor, but it applies to all factors of production. For this reason, business owners try to buy the most efficient capital goods, and farmers try to use the most fertile land for their crops.

Specialization

Specialization takes place when people, businesses, regions, or even countries concentrate on goods or services that they can produce better than anyone else. As a result, nearly everyone depends upon others to produce many of the things that he or she consumes. Specialization is important because it improves productivity.

Few individuals or households seriously consider producing their own food, shelter, and clothing. When people specialize, they are usually far more productive than if they attempt to do many things. For example, Maria is a carpenter who wants to build a house. Even if Maria is capable of building the entire house without any help, she would likely be better off to hire other workers who specialize in foundations, plumbing, and electrical wiring.

Division of Labor

Division of labor is breaking down a job into small tasks performed by different workers. Division of labor makes use of differences in skills and abilities.

Activity: U.S./World Connections

Categorizing and Analyzing Information Remind students that the foreign sector generally accounts for less than 4 percent of the United States's GDP. Nevertheless, international trade is important and requires the cooperation of many government offices to manage it well. Guide students to use library and Internet resources to define these international trade terms: *balance of trade, imports/exports, most favored nation*

status, tariffs, trade barriers, trade deficit/surplus.

Then ask students to look at items around the classroom, making a list of the countries of origin of these items. Have students discuss how their purchasing habits and opportunities would change if the United States cut back on imports from other nations. OL

For example, you and your coworker would each do the tasks for which you are best suited. Even if your abilities are identical, specialization can be advantageous. By applying all your time to a single task, you are more likely to discover better techniques. Division of labor improves productivity.

Human Capital

Productivity also tends to increase when businesses invest in human capital—the sum of people’s skills, abilities, and motivation. Employers are usually rewarded with higher-quality products and higher profits. Workers often benefit from higher pay, better jobs, greater motivation, and more satisfaction with their work.

Economic Interdependence

Because of specialization, our economy displays a strong degree of **economic interdependence**. This means that we rely on others, and others rely on us, to provide goods and services.

Events in one region of the country or the world often have a dramatic impact elsewhere. For example, bad weather in a country where sugarcane is grown can affect sugar prices in the United States, which in turn can affect the demand for sugar substitutes elsewhere.

Interdependence and Trade-Offs Today, economic technology usually describes the use of science to develop new products and new methods of producing and distributing goods and services. Without satellite technology, for example, it would be impossible to buy and sell goods and services with nations around the world.

This example does not mean that economic interdependence is necessarily bad. The gain in productivity and income that results from increased specialization usually offsets the cost associated with the loss of self-sufficiency.

Reading Check Explaining What are the benefits of specialization?

Reading Strategy

Making Connections Ask: What recent events have occurred in one region or nation but impacted the economies of other regions or nations? (Answers will include any recent event that impacted the economy.) **OL**

Reading Check Answer: Specialization allows people to master a task so that they can work efficiently.

Assess



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Close

Personal Writing Have students write about their status as human capital. **OL**

Section Review

Vocabulary

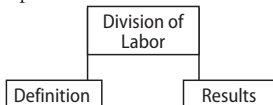
- Write** a paragraph in which you use the following terms: *productivity, specialization, division of labor, economic interdependence*. Then, write a second paragraph using these terms: *market, factor market, product market*.

Main Ideas

- Describing** What is a factor market?
- Explain** Why is productivity important to economic growth?

Critical Thinking

- BIG Ideas** Describe how either you or a relative of yours who has a job fits into the circular-flow model. Be sure to discuss both the factor market and the product market.
- Explaining** On a chart like the one below, define *division of labor* and explain how it improves the efficiency of production.



CITIZENSHIP Activity

- Expository Writing** Use the information in this section to write a short speech you could give to fourth graders on the topic “Why Economic Growth Is Important.” Remember to make your explanation simple enough for younger students to understand.



Study Central™ To review this section, go to glencoe.com.

Answers

- Paragraphs should use vocabulary words according to their definitions in the section and in the Glossary.
- A factor market is a market where production factors—natural resources, labor, and capital—are bought and sold.
- When productivity is high, resources are used efficiently to produce many goods and

services. The economy grows when businesses preserve scarce resources while maintaining high levels of productivity.

- Answers should focus on an individual’s role in both the factor market and the product market and should demonstrate understanding of both markets.

- Definition:** breaking down a job into small tasks performed by different workers;
Results: efficient use is made of differences in skills and abilities
- Speeches should use audience-appropriate language, define difficult terms, and accurately explain the importance of economic growth.

**S Skill Practice**

Analyzing Charts **Ask:** What do you notice about the difference between men's and women's salaries as their levels of education increase? (Men's salaries lead women's salaries at every educational level; but as the level of education increases, the difference between men's and women's salaries increases as well, from a roughly \$7,500 difference to a roughly \$20,000 difference.) Encourage students to consider why this might be. **AL**

C Critical Thinking

Analyzing Primary Sources Read aloud the attribution for this quotation to students. **Ask:** How does this information affect what you think about the quotation? (As Secretary of Labor, a cabinet position, Elaine Chao was the leading expert on employment in the nation. This information tells readers to take the quotation seriously.) **OL**

**Analyzing Economics****Answers:**

1. The median income for men is \$41,939; the median income for women is \$31,565.
2. The difference is \$15,253.

Additional Support**Education and Earning Power**

As you probably already know, levels of education and income are related. High-income workers generally have more education than low-income workers. For example,

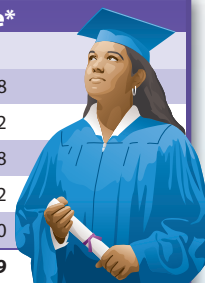
- high school dropouts earn less than high school graduates;
- high school graduates earn less than college graduates;
- college graduates with bachelor's degrees earn less than those with advanced degrees.

Not only is it likely that income will rise with further education, but also the chances of becoming unemployed are reduced. Unemployment rates for high school graduates are twice that for college graduates. For example, in April 2006, the unemployment rate for workers with a bachelor's degree or higher was 2.2 percent, 3.8 percent for workers with some college or an associate degree, 4.4 percent for those with a high school diploma, and 7 percent for workers with less than a high school diploma.

Level of Education	Median Income*	
	Female	Male
Not a high school graduate	\$18,938	\$26,468
High school graduate	26,074	35,412
Some college	30,142	41,348
Bachelor's degree	41,327	56,502
Master's degree	50,163	70,640
All full-time workers	\$31,565	\$41,939

*The median income is the middle income in a series of incomes ranked from smallest to largest.

Source: National Center for Education Statistics.

**Did You Know?**

C "More than two-thirds of the new jobs being created in our economy are in occupations that require some kind of post-secondary education."

—Secretary of Labor Elaine Chao, May 31, 2006

Source: US Dept of Labor: www.dol.gov/sec/media/speeches/20060531_miami.htm

**Analyzing Economics**

1. **Comparing** What are the median incomes for men and for women who are employed full-time?
2. **Calculating** What is the difference in median income between female high school graduates and females who attain bachelor's degrees?

Activity: Economics Connections

Logical/Mathematical Point out to students that as they think about their futures, they must set the cost of college against the advantages of the higher salaries that come with greater levels of education. Have students use the Internet to learn how much the following degrees currently cost:

- a two-year associate's degree from a community college
- a four-year bachelor's degree from a state college or university
- a four-year bachelor's degree from a private college or university.

Then, refer students to the chart. Have students divide the cost of their desired educational degree into the annual median income for that degree to determine in how many years the degree would pay for itself. **OL**

Guide to Reading

Big Idea

Free enterprise is the freedom of individuals and businesses to operate and compete with a minimum of government interference or regulation.

Content Vocabulary

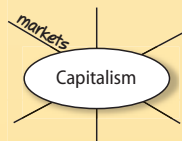
- capitalism (p. 528)
- free enterprise (p. 528)
- consumer sovereignty (p. 529)
- private property rights (p. 529)
- competition (p. 530)
- profit (p. 530)
- profit motive (p. 530)
- voluntary exchange (p. 530)
- laissez-faire economics (p. 531)

Academic Vocabulary

- accumulate (p. 528)
- dispose (p. 529)
- incentive (p. 529)

Reading Strategy

Organizing As you read the section, complete a diagram like the one below by identifying the features of capitalism. Then provide an example of each feature.



Section 3

Capitalism and Free Enterprise

Real World Economics Where would you guess the world's busiest McDonald's restaurant is located? Los Angeles? New York? Tokyo? The answer is Moscow, in the former Soviet Union. How does this American restaurant do so well in a former Communist country? In Russian cities, McDonald's caters to the local citizens, not to American tourists. Teens in Moscow hang out at fast-food places in the same way teens in other countries do. Economic reforms in Russia have moved the country more toward a capitalistic, market-oriented system.

▼ A McDonald's on St. Petersburg's main avenue, Nevsky Prospekt

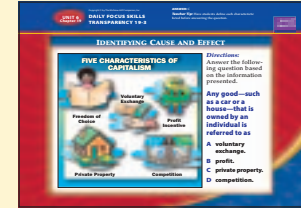


Focus



Bellringer

Daily Focus Transparency 19-3



Guide to Reading

Answers to Graphic:



Section Spotlight Video

To learn more about capitalism and free enterprise, have students watch the Section Spotlight Video for this section.

Resource Manager

R Reading Strategies	C Critical Thinking	D Differentiated Instruction	W Writing Support	S Skill Practice
Teacher Edition <ul style="list-style-type: none"> Making Connections, p. 528 Questioning, p. 529 Additional Resources <ul style="list-style-type: none"> Cont. Vocab., URB p. 44 Ac. Vocab., URB p. 46 Guid. Read., URB p. 63 Foldables, p. 87 	Teacher Edition <ul style="list-style-type: none"> Drawing Con., p. 531 Additional Resources <ul style="list-style-type: none"> Biography, URB p. 47 Quizzes and Tests, p. 227 	Teacher Edition <ul style="list-style-type: none"> EL, p. 529 Additional Resources <ul style="list-style-type: none"> School-to-Home Connect, URB p. 58 Reteach. Act., URB p. 59 	Teacher Edition <ul style="list-style-type: none"> Descriptive Writing, p. 530 Additional Resources <ul style="list-style-type: none"> Cit./Decision-Making, URB p. 3 	Teacher Edition <ul style="list-style-type: none"> Visual Literacy, p. 528 Creating a T-Chart, p. 530 Additional Resources <ul style="list-style-type: none"> Daily Focus Trans., 19-3 Pol. Cartoon Trans. 19

R Reading Strategy

Making Connections Ask: What is the connection between the market factor called capital and the economic system called capitalism? (*Capitalism is based on the free use of capital—the funds needed to equip and run businesses.*) **AL**

S Skill Practice

Visual Literacy Ask students to describe how the man on the right side of the cartoon is dressed. Ask: What does a business suit suggest about the person wearing it? Is this impression of the credit card company representative accurate? (*Usually, a business suit suggests that the person wearing it is professional and responsible. The representative of the credit card company seems to be behaving like a scam artist.*) **OL**

Capitalism

Main Idea The economic system of the United States is known as capitalism, in which private citizens own and use the factors of production to seek a profit.

Economics & You Do you feel that the products you want to buy are available? Read to find out what power you have as a consumer.

R The economy of the United States is built largely on free markets and private ownership. It is known as **capitalism**, an economic system in which private citizens own and use the factors of production in order to seek a profit.

Free enterprise is another term to describe the American economy. In a free enterprise economy, competition is allowed to flourish with a minimum of government interference. One of the most remarkable characteristics

of our nation's economy is its ability to grow and **accumulate**, or collect, wealth. No other economic system in the history of the world has been as successful.

What Makes Capitalism Work?

Several unique features of capitalism combine to contribute to its success in the United States and in other countries. These features are the use of markets, economic freedom, private property rights, competition, profit motive, and voluntary exchange.

Markets Markets are one important part of our economic system. Markets are the places where the prices of goods and services are determined as exchange takes place. Markets may be local, regional, national, or global. Markets also connect the different sectors of the economy. To illustrate, review the chart on page 522. It shows that consumers and businesses interact primarily in the product and factor markets.

TIME

Political Cartoons



With this cartoon, Gary Markstein is making a point about consumer credit. Examine the first panel of the cartoon.

1. What "immediate action" would it be logical for the consumer to take in light of his financial situation?
2. Now look at the second panel. How are credit card companies depicted?
3. Why might credit card companies offer high-interest cards to consumers who are already in debt?

TIME Political Cartoons

Answers:

1. He should pay off his debt and improve his credit.
2. They are depicted as willing to exploit consumers already in financial trouble.
3. Credit card companies know that these consumers need ready funds and that they will probably use the card to run up more debt.

Differentiated Instruction

Finance Conference on the New Economy

- Objective:** To connect technology to the economy
- Focus:** Review the definitions of "market" and "global economy."
- Teach:** Read the speech aloud, stopping to check comprehension.
- Assess:** Have students paraphrase and discuss Summers' quote.
- Close:** Have students predict how communications technologies will shape the new economy.

Differentiated Instruction Strategies

- BL** Name a technology that you notice more often when it is absent.
- AL** Explain Summers' comparison of the growth in the new economy to growth during the Industrial Revolution and the Renaissance.
- ELL** Create word maps that link the Reader's Dictionary words to words you already know.

Primary Source Reading 6-A

Finance Conference on the New Economy

Interpreting the Source

In March 1998, Eastern College hosted a finance conference on the new economy, defined by globalization and growth in technology. Speakers included Alan Greenspan, then Chairman of the Federal Reserve, and Lawrence Summers, then Secretary of the Treasury. The main focus of the conference was technology and the role of technology in the new economy. In his speech, Summers outlined the challenges by focusing on emerging markets.

Reader's Dictionary

Define the process of globalization as the integration of markets and economies across the world.

Guided Reading

As you read, list the economic trends that Summers discussed.

Summers discussed the challenges of the new economy, including the role of technology in the new economy. He noted that the new economy is characterized by globalization and growth in technology. He also noted that the new economy is characterized by the integration of markets and economies across the world.

American Biography

David Hernandez (1969 –)

David Hernandez was only 5 years old when his family left their home in Cuba and moved to the United States. When Hernandez's father died, David delivered newspapers, mowed lawns, and took on odd jobs to help his family. It would have been easy for him to give up on his dream to attend college. Instead, he worked his way through college and graduated magna cum laude from Palm Beach Atlantic University with a degree in accounting. He later earned an MBA from New York University.

When his employer, the energy giant Enron, collapsed, David Hernandez lost his job and his 401(K), but not his entrepreneurial spirit. Along with his brother, Eliezer, and two former colleagues, Hernandez saw an opportunity to build his own

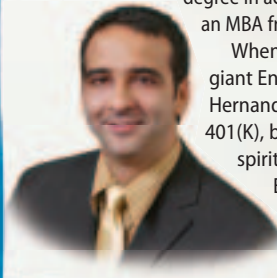
company. His plan was to provide small- and mid-sized businesses, with low-cost electric power and great customer support. In less than 4 years, Liberty Power grew from grossing less than \$1 million in its first year to more than \$100 million in 2005, making it the largest Latino-owned electricity provider in the country.

The company's corporate responsibility does not end with its customers. In January 2004 Hernandez created the Liberty Power Foundation to support education in the communities the company serves.

Making a Difference

"It's not only important to do well; philosophically, I believe that it's important to do good." **Discuss the meaning of this quote by David Hernandez.**

CITIZENSHIP



When you go to work, your labor is being sold in the factor markets. When you go shopping, the goods and services you buy are being purchased in product markets. In our economic system, the consumer is especially important because businesses usually try to produce the products that people want most. Because of the effort to match products to wants, we use the term **consumer sovereignty** to describe the consumer as the "king," or ruler, of the market, the one who determines what products will be produced.

Economic Freedom In the United States, we place a high value on the freedom to make our own economic decisions. Each of us can choose the type of job or occupation we would like to have, and we can choose when and where we would like to work.

As consumers, we have the right to choose the products we will buy. Businesses have

the right to choose the products they will produce and offer for sale. However, along with this freedom come certain costs. In particular, individuals must normally accept the consequences of their decisions in our free enterprise system. If an entrepreneur starts a business that fails, the government usually does not help out.

Private Property Rights Another major feature of capitalism is **private property rights**. These rights mean that we have the freedom to own and use, or **dispose** of, or throw away, our own property as we choose as long as we do not interfere with the rights of others. Private property rights give us the **incentive**, or drive, to work, save, and invest because we know we can keep any gains that we might earn. In addition, people tend to take better care of things if they actually own them.

Reading Strategy

Questioning Ask: What questions could the owner of a coffee shop ask to determine what consumers need and want and what an attractive price to both the shop and the consumers would be? (Possible answers: Are there other coffee shops nearby? What are the prices of supplies such as coffee, tea, and paper goods? At what prices are other coffee shops selling their beverages? How far are consumers willing to travel to patronize the shop?) **OL**

Differentiated Instruction

English Learners Invite students who have lived in other countries to describe the options for employment and property rights in those countries. For instance, in some countries, property is passed down in a family from generation to generation; to sell it is to break with tradition. **ELL**

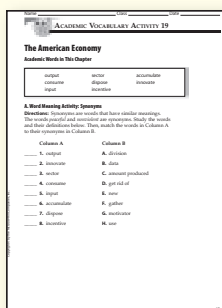
American Biography

Answers:

Guide students to discuss how doing well is different from doing good. Ask them to provide examples from Hernandez's life and from the lives of other people who have both done well and done good.

Leveled Activities

BL Academic Vocabulary Activity 19, URB pp. 45–46



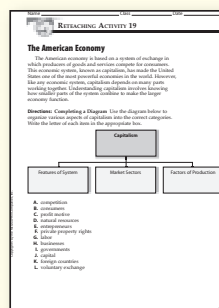
OL Biography Activity 19, URB pp. 47–48



AL Primary Source Reading 6A, URB pp. 15–16



ELL Reteaching Activity 19, URB p. 59



W Writing Support

Descriptive Writing Have students write a couple of paragraphs to answer the following questions: **What is a monopoly, and why are monopolies bad for competition?** (Student paragraphs should explain what a monopoly is and why they are bad for competition.) **OL**

S Skill Practice

Creating a T-Chart Have students create a T-chart to keep track of the rewards and risks involved in the system of capitalism. Encourage them to look back at previous sections of the chapter to gather notes for the chart. Then ask them to write a brief journal entry about whether they would seek the rewards of free enterprise or be put off by the risks. **OL**

Caption Answer:

Competition causes efficient production, higher-quality products, lower prices, and more satisfied consumers.

✓ Reading Check **Answer:** efficient production, higher quality products, and more satisfied customers.

Hands-On Chapter Project Step 3

Making a Business Plan

Step 3: Developing a Business Plan Groups of students will write a plan for the businesses they have chosen.

Directions Before beginning this step, choose a simple business plan model from the Small Business Association's Web site at www.bplans.com/samples/sba.cfm. Select one that most closely matches the students' business venture idea. Provide copies of this plan for students.

Writing a Business Plan Explain to students that a good business plan will encourage investment in the business. A typical plan will have a summary, objective and mission statement, description of product or service, market analysis, implementation plan, and financial plan. Organize students into groups, each group concentrating on writing one segment of the plan. **OL AL**
(Project continued on the Visual Summary page)



Competition Cloth making was primarily a home-based craft during colonial times. By the early 1800s, power-loom technology mechanized cloth making, and prices for cloth came down. **Explaining** **What are the benefits of competition?**

Competition Capitalism thrives on **competition**—the struggle between buyers and sellers to get the best products at the lowest prices. The competition between sellers keeps the cost of production low and the quality of the goods higher than they would otherwise be. Buyers likewise compete among themselves to find the best products at the lowest prices.

Competition thus rewards the most efficient producers. Competition also forces the least efficient producers out of business or into other industries. The result is that competition makes for efficient production, higher-quality products, and more satisfied customers.

The Profit Motive Under free enterprise and capitalism, people are free to risk their savings or any part of their wealth in a business venture. If the venture goes well, the people will earn rewards for their efforts. If things go poorly, they could lose part or even all of the investment. The possibility of financial gain, however, leads many to take risks in hopes of earning a profit.

Profit is the amount of money left over after all the costs of production have been paid. The **profit motive**—the driving force that encourages individuals and organizations to improve their material well-being—is largely responsible for the growth of a free enterprise system based on capitalism.

Voluntary Exchange **Voluntary exchange** is the act of buyers and sellers freely and willingly engaging in market transactions. Who benefits when you buy something—you or the seller? Both are giving something up to gain something else. As long as the transaction involves a voluntary exchange, both you and the seller benefit—or the exchange would not have happened in the first place.

The exchange takes place because both parties feel they will make a profit. Voluntary exchange, then, is both a characteristic of capitalism and a way for us to improve our economic well-being.

✓ Reading Check **Summarizing** What benefits are derived from competition?

History of Capitalism

Main Idea Capitalism developed gradually in Europe and had a powerful influence on America's constitutional Framers.

Economics & You If you have a job, why do you work? Read to find out how a famous economist answers this question.

In 1776 Adam Smith, a Scottish philosopher and economist, provided a philosophy for the capitalist system in his book *The Wealth of Nations*. Smith's book offered a detailed description of life and trade in British society. It also scientifically described the basic principles of economics for the first time.

Smith wrote that individuals left on their own would work for their own self-interest. In doing so, they would be guided

as if by an "invisible hand" to use resources efficiently. From the writings of Smith and others came the idea of **laissez-faire economics**. Laissez-faire, a French term, means "to let alone." According to this philosophy, government should not interfere in the marketplace. The government's role is confined to those actions necessary to ensure free competition.

Many of America's Framers were influenced by *The Wealth of Nations*. James Madison read it, and Alexander Hamilton borrowed heavily from it in his writings. In a 1790 letter he sent, Thomas Jefferson wrote, "... in political economy I think Smith's *Wealth of Nations* is the best book extant [in existence] ..."

Reading Check Explaining What is the role of government, according to the laissez-faire philosophy?

C Critical Thinking

Drawing Conclusions Ask: What forms might Adam Smith's "invisible hand" take, given what you have learned in this chapter? (Answers include: any of the market factors and forces, such as availability of capital and stress of competition, discussed in the chapter.) **AL**

Reading Check Answer: The role of government in a laissez-faire economy is to ensure free competition in the marketplace.

Assess

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Close

Predicting Drawing on what they have learned about the history of capitalism and on their own ideas about the actions a government might need to take, have students discuss the ways in which a government can ensure free competition in the marketplace. **OL**

Section 3 Review

Section Review

Vocabulary

- Explain** what *free enterprise* means, then explain how each of the following terms relates to free enterprise: *capitalism*, *consumer sovereignty*, *private property rights*, *competition*, *profit*, *profit motive*, *voluntary exchange*, *laissez-faire economics*.

Main Ideas

- Describing** What does the idea of consumer sovereignty express?
- Explaining** What are the limits of private property rights?

Critical Thinking

- Explaining** According to Adam Smith, what are the results of individuals working for their own self-interest?
- Determining** Under capitalism, how would you answer the question: For whom are goods produced?
- BIG Ideas** There are six features of capitalism mentioned in this section. On a diagram like the one below, identify the two features that you think are most important. Explain your answer.



CITIZENSHIP Activity

- Analyzing** Survey five fellow students, friends, and neighbors to discover what the term *free enterprise* means to them. Review your findings and analyze why people might have different views of free enterprise.
- Descriptive Writing** Adam Smith said that people work for self-interest. Do you agree? Write a paragraph describing someone who works for this reason or for another reason.

Civics ONLINE

Study Central™ To review this section, go to glencoe.com.

Answers

- Free enterprise is based on competition with a minimum of government interference. Explanations for the terms are found in the section and in the Glossary.
- Consumer sovereignty expresses the idea that the consumer determines what products will be produced and what services will be provided.
- Property rights apply as long as they do not interfere with the rights of others.
- They would use resources efficiently.
- Goods are produced for the consumer.
- Students may identify any two features of capitalism as long as they support their choices with reasons based on the text.
- Students should present the findings of five people and then base their analyses on these findings.
- Paragraphs should include descriptive details about the subject and should either agree or disagree with Smith's claim.



Teach

C₁ Critical Thinking

Making Generalizations **Ask:** In general, why might it weaken the United States if each state set its own trade barriers? (Possible answer: because the U.S. central government would not have the power to settle commercial disputes between states and to establish a strong economy) **OL**

C₂ Critical Thinking

Predicting Consequences **Ask:** What might happen if one business controlled access to the most important freeway within a state's limits? (Possible answer: the controlling business might limit transportation along that freeway for rival businesses.) **AL**

ANALYZING THE COURT DECISION

Answers:

1. He defined it to apply to all forms of commercial activity.
2. After this ruling, a state could regulate only that trade that occurred within the state itself. Congress now regulates all trade among states or among the United States and foreign nations.

Additional Support



Gibbons v. Ogden

C₁

In the early years of the nation, each state jealously guarded its own commerce. Trade barriers among the states restricted commerce and stood in the way of a strong national economy. What changed this situation?

Background of the Case

C₂

In the early 1800s, the state of New York licensed Robert Fulton and his partner to operate a steamboat monopoly along its waterway. The partners then used their license to grant Aaron Ogden a monopoly on ferryboat travel between New York City and Elizabethtown, New Jersey. Thomas Gibbons, however, had a federal license to run boats between New York and New Jersey.

Ogden wanted to shut down his competition. He sued to close down Gibbons' operation. It was up to the Supreme Court to decide which would prevail—Ogden's state license or Gibbons' federal license.

The Decision

John Marshall delivered the Court's unanimous opinion on March 4, 1824. His decision rested on the power of Congress to "regulate commerce," as granted in Article I, Section 8, of the U.S. Constitution. Marshall interpreted commerce to mean "every species of commercial [interaction]," including navigation.

"This power [to regulate commerce], like all others vested in Congress, is complete in itself, may be exercised to its utmost extent, and acknowledges no limitations other than are prescribed in the Constitution. . . . [However, this rule does not apply to] . . . commerce, which is completely internal, which is carried on between man and man in a State, or between different parts of the same State. . . ."

—Justice John Marshall



New York Harbor, painted by Thomas Birch, 1827

The decision gave the federal government sole power to regulate all possible forms of commerce between states. It also affirmed Congress's right to regulate trade with foreign nations. States retained the right to regulate trade entirely inside their borders, and Ogden lost his license.

Why It Matters

The *Gibbons* decision took on more significance in later years than it did at the time. Marshall's broad interpretation of the commerce clause, in fact, helped pave the way for today's strong national government. It allowed Congress to prevent companies from fixing prices. In 1964, Congress was able to prohibit racial discrimination in businesses serving the public because such discrimination was seen as affecting interstate commerce.

Analyzing the Court Decision

1. **Describing** How did Marshall define the commerce clause?
2. **Analyzing** How did this Supreme Court ruling affect states' control of economic activities?

Background

Gibbons v. Ogden When this case was brought before the Supreme Court, the United States was still a young nation. The federal government had not yet decided how much regulation of interstate commerce was necessary. Instead, a patchwork of state rules made interstate trade inefficient, expensive, and in some cases unfair. The Framers of the Constitution had written the Commerce Clause in Article I, Section 8,

of the Constitution so that the federal government could regularize interstate trade. Before this case, however, the extent of federal power had not been tested.

Justice John Marshall favored a strong national government and recognized that this case gave the court the opportunity to define the federal government's power to replace the states' often contradictory and counterproductive trade policies with a more unified and effective policy.

Economic Resources

- The four factors of production (natural resources, labor, capital, and entrepreneurs) provide the means for a society to produce its goods and services.
- Gross Domestic Product (GDP) is the total value of all the *final* goods and services produced in a country in one year.

Economic Activity

- Productivity relates to the efficient use of resources, and tends to go up when workers specialize in the things they do best.

- Resources, goods and services, and money flow in a circular motion among several sectors, and economic growth occurs when a nation's total output of goods and services increases.

Capitalism and Free Enterprise

- The economic system of the United States is based on capitalism and free enterprise.
- Important characteristics are markets, economic freedom, competition, private property rights, the profit motive, and voluntary exchange.



Mother and daughter shop for clothes



Worker stitches American flags onto baseball caps at a Buffalo, New York, factory



Twin sisters check items on sale



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Identifying Cause and Effect

Ask: Why is it important to understand how the four factors of production affect the nation's economy? (The nation's economy determines the quality of life for individuals. A strong economy leads to a higher standard of living, while a weak economy leads to a lower standard of living. To participate effectively in the economy, individuals must understand their role in production and consumption.) **OL AL**

Analyzing Visuals Ask: Which images on the page provide visual examples of these chapter concepts: capital, consumer sovereignty, competition? (The image of the worker making caps shows human capital [labor] and capital goods. The image of the mother and daughter shopping shows consumer sovereignty. The image of the sisters checking sale items shows competition.) **AL**

Hands-On Chapter Project Step 4: Wrap-Up

Making a Business Plan

Step 4: Extending the Project Students will submit their plans to adult advisors for feedback. Students may choose to put their business plan into operation.

Directions Explore your community to find businesspeople who volunteer to mentor young entrepreneurs. Groups such as Junior Achievement and Rotary provide such

resources. Arrange a time for students to discuss their business plan with these mentors and to receive feedback.

Interpersonal Before the meeting, encourage students to discuss the dress code for professional meetings. Have students submit a clean copy of their business plan to their mentors before the meeting.

After the meeting, have students summarize the changes they want to make to

their business plan based on the feedback they received. Ask students to write a formal letter of thanks to each mentor. **OL**

Answers and Analyses

Reviewing Vocabulary

1. B Review the definition of each option with students. Remind them that although these goods may in fact be manufactured, they are used to create final goods for sale. This makes them capital goods.

2. C Encourage students to substitute the full names for the acronyms before they answer. When they recall that GDP means Gross Domestic Product, they can connect “product” and “produced.”

3. A Remind students that income is earned in exchange for labor and that labor is one of the four factors in the factor, or consumer, market.

4. D Guide students to recall the definition of each term listed in the options and then to match the definition in the incomplete statement to the correct option. Students may rephrase the statement as a question: What occurs between sellers to keep the cost of production low and the quality of goods high?

Reviewing Main Ideas

5. A Make sure students remember what the four factors of production work together to do: to start, run, and maintain businesses. Students can ask this question: Which of the options starts, runs, and maintains businesses?

6. C Help students see that quantity of products and quality of products are related concepts: standard of living depends not only on products being available (quantity) but on their being of high quality. Quality of life is the measure of standard of living.

7. C Students can rule out options A and D because these exclude the foreign sector. Then they will need to recall the four factors of production to see that these are part of the four sectors. Option C is the logical choice.

8. B Remind students that another word for human capital is labor, the work a person does to earn an income. A better-trained labor force is more valuable than

TEST-TAKING TIP

Skim through a test before you start to answer questions. That way you can decide how to pace yourself.

Reviewing Vocabulary

Directions: Choose the word(s) that best completes the sentence.

- Machines, buildings, and tools used to make other goods and services are _____ goods.
A consumer **C** factor
B capital **D** manufactured
- The total value of all the final goods and services produced in a country in one year is its _____.
A income **C** GDP
B VAT **D** resources
- Consumers earn their income in _____ markets where productive resources are bought and sold.
A factor **C** resource
B product **D** consumer
- The _____ between sellers keeps the cost of production low and quality of goods high.
A profit motive **C** exchange
B interdependence **D** competition

Reviewing Main Ideas

Directions: Choose the best answer for each question.

Section 1 (pp. 516–519)

- The four factors of production are natural resources, labor, capital and _____.
A entrepreneurs.
B services.
C goods.
D specialization.

- A nation's standard of living is a measure of not only the quantity of its products, but also _____.
A the value of its resources.
B of its people.
C the quality of its goods and services.
D of how the products are produced.

Section 2 (pp. 520–525)

- The four sectors, business, consumer, government, and foreign are all part of _____.
A the GDP.
B the factors of production.
C the circular flow of economic activity.
D a nation's standard of living.
- When workers receive additional training for their jobs, this increases _____.
A the cost of production.
B human capital.
C economic interdependence.
D the division of labor.

Section 3 (pp. 527–531)

- In a free enterprise economy, competition is allowed to flourish with a minimum of _____.
A government interference.
B voluntary exchange.
C specialization.
D division of labor.
- In our economy businesses try to produce goods and services that people want most; this is an example of _____.
A private property rights.
B specialization.
C the factors of production.
D consumer sovereignty.



an untrained labor force because it can do better work. Therefore, additional training increases human capital.

9. A Point out to students that three of the options—voluntary exchange, specialization, and division of labor—should be maximized for free enterprise to succeed. The incomplete statement needs a phrase that identifies the element that should be minimized in a free enterprise economy: government interference.

10. D Students can quickly rule out options A and B because businesses do not produce these. They may be drawn to option C because it uses the word “production,” but they must recall that the factors of production make production possible; they do not guide decisions about what to offer on the market. Consumers guide these decisions.

Critical Thinking

Directions: Choose the best answer for each question.

Base your answers to questions 11 and 12 on the chart below and your knowledge of Chapter 19.

Level of Education	Median Income*	
	Female	Male
Not a high school graduate	\$18,938	\$26,468
High school graduate	26,074	35,412
Some college	30,142	41,348
Bachelor's degree	41,327	56,502
Master's degree	50,163	70,640
All full-time workers	\$31,565	\$41,939

Source: National Center for Education Statistics.

*The median income is the middle income in a series of incomes ranked from smallest to largest.

11. If most of the new jobs being created in our economy require a post-secondary education, it is likely that
 - A higher education will reduce your chances of unemployment.
 - B the cost of education will continue to fall.
 - C unemployment will continue to decrease in the larger cities.
 - D capital goods production will not keep up with consumer goods production.
12. The chart shows that education improves the earning power of almost everyone, but
 - A it benefits all full time workers equally.
 - B advanced degrees are very expensive.
 - C males benefit more than females.
 - D fewer females work fulltime.

Document-Based Questions

Directions: Analyze the following document and answer the short-answer questions that follow.

In 1776 Adam Smith wrote *The Wealth of Nations*, explaining the foundations of capitalism. Here he describes the advantages of a division of labor.

The greatest improvements in the productive powers of labour, and the greater part of the skill, dexterity, and judgment, with which it is anywhere directed, or applied, seem to have been the effects of the division of labour.

... This great increase in the quantity of work, which, in consequence of the division of labour, the same number of people are capable of performing, is owing to three different circumstances; first, to the increase of dexterity in every particular workman; secondly, to the saving of the time which is commonly lost in passing from one species of work to another; and lastly, to the invention of a great number of machines which facilitate and abridge labour, and enable one man to do the work of many.

—Adam Smith

13. According to Adam Smith, what are two advantages that are gained when a task is divided among different workers?
14. Why does the invention of machines depend on the division of labor?

Extended-Response Question

15. A division of labor also assumes that the workers will produce an excess of goods—more than they can use. Write an essay explaining how this excess production relates to free markets.

STOP



For additional test practice, use Self-Check Quizzes—Chapter 19 on glencoe.com.

Need Extra Help?

If you missed question...	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
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STANDARDIZED TEST PRACTICE

Extended Response

15. Essays should note that when workers produce more than they can use, the excess must be sold or traded. Markets facilitate the exchange of goods for other goods. Free markets work best because buyers and sellers may determine their own needs and set their own terms of free exchange. In free markets, prices and wages reflect the needs of both buyers and sellers.

Critical Thinking

11. **A** Use this unit's reading skill, Identifying Cause and Effect, to explain that each option is a cause-and-effect relationship. Only option A has a logical causal relation that agrees with the information in the chart.

12. **C** Direct students' attention to the specific numbers in the chart. Guide students to see that the numbers consistently rise with higher levels of education but that

males' salaries lead females' salaries at every level of education.

Document-Based Questions

13. Each worker's dexterity improves, and time that would be lost when passing from one task to the next is saved.

14. A machine is usually designed to perform a limited number of tasks, not to complete the whole manufacturing process. To use machinery efficiently, labor must be divided into steps or tasks.



Have students visit the Web site at glencoe.com to review Chapter 19 and take the **Self-Check Quiz**.

Need Extra Help?

Have students refer to the pages listed if they miss any of the questions.